

Message Text

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DRAFTED BY EA/PRCM:JAUBERT

APPROVED BY EA/PRCM:OVARMSRONG

EB/ITP/EWT-MR. WRIGHT (PHONE)

S-MR. BARBIAN

EA-MR. GLEYSSTEEN

S/S-O:PJOHNSON

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R 200012Z DEC 75

FM SECSTATE WASHDC

TO USLO PEKING

AMCONSUL HONG KONG

C O N F I D E N T I A L STATE 293906

FOLLOWING REPEAT STATE 293906 ACTION SECRETARY DATED 13 DEC 75

QUOTE

C O N F I D E N T I A L STATE 293906 TOSEC 240154

E.O. 11652: XGDS-1

TAGS: ESTC, COCOM, CH, UK, US

SUBJECT: ACTION MEMORANDUM FOR THE SECRETARY: UK SALE OF
SPEY 202 ENGINES TO PRC (S/S NO.7524594)
FOR SECRETARY FROM ENDERS

1. PURSUANT TO YOUR INFORMAL UNDERSTANDING WITH
CALLAGHAN, BRITISH EMBASSY NOTIFIED EAGLEBURGER DECEMBER 9
OF "BROAD AGREEMENT" BY ROLLS ROYCE (1971) AND PRC ON
CONTRACT FOR SUPPLY OF 50 SPEY 202 ENGINES (MILITARY
CONFIGURATION) AND TECHNOLOGY FOR MANUFACTURE FURTHER
ENGINES IN CHINA, AND OF HMG DECISION TO AGREE TO THE
CONTRACT. (TEXT SENT SEPARATE TELEGRAM.) COMPANY
EXPECTED TO MAKE AN ANNOUNCEMENT BY END THIS WEEK.

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2. UK HAS ALSO NOTIFIED OTHER COCOM MEMBERS - NOTABLY

FRENCH, GERMANS AND JAPANESE WHO IN ADDITION TO US HAD RESERVATIONS OR OBJECTIONS WHEN PROPOSAL WAS ORIGINALLY CONSIDERED IN COCOM IN AUGUST 1973. BRITISH REPORT FRENCH HAVE ACCEPTED UK DECISION; GERMANS HAVE EXPRESSED CONCERN AT SHORT-CIRCUITING COCOM PROCEDURES; JAPANESE ALSO CONCERNED AND HAVE TOLD BRITISH THEY WANT TO KNOW U.S. POSITION. NISHIDA FROM EMBASSY ALSO SPOKE TO ME TODAY WISHING TO KNOW OUR VIEWS AND EMPHASIZED SERIOUS POLITICAL ISSUE WHICH WILL CONFRONT JAPANESE GOVERNMENT FROM POWERFUL INTERESTS FAVORING EXPANDED TRADE WITH PRC IF UK PROCEEDS WITH SALE TO CHINA WITHOUT COCOM CONSULTATION. CANADIANS HAVE ALSO ASKED US WHAT POSITION WE PLAN TO TAKE.

3. WE FIND THAT THE REACTION WITHIN USG INCLUDING DEFENSE IS LESS CONCERNED WITH THE STRATEGIC SIGNIFICANCE OF THE TRANSACTION ITSELF WITHIN THE PRESENT CONTEXT OF PRC MILITARY CAPABILITIES THAN WITH THE IMPACT OF A UK DECISION MADE OUTSIDE THE CONSULTATIVE FRAMEWORK OF COCOM. THIS COULD WELL HAVE THE EFFECT OF REMOVING THE FEW REMAINING RESTRAINTS THAT DETER OTHER COUNTRIES FROM IGNORING COCOM PROCEDURES WHEN THEY SEE IT IN THEIR INTEREST TO DO SO.

4. IF YOU AGREE WE WOULD LIKE TO INFORM THE BRITISH (AND RESPOND TO QUERIES BY OTHER COCOM MEMBERS) AS FOLLOWS:

A. WE RECOGNIZE THE ECONOMIC SIGNIFICANCE OF THE TRANSACTION TO THE UK. HOWEVER, TO AVOID DAMAGING PRECEDENTS FOR COCOM, WE BELIEVE IT WOULD BE HIGHLY DESIRABLE FOR THE UK TO PRESENT THE CASE AGAIN TO COCOM IN ORDER TO REGISTER THE VIEWS OF MEMBER COUNTRIES ON THE TRANSACTION AND TO ALLOW FOR AN ORDERLY SETTLEMENT OF THE CASE. THIS COULD BE DONE UNDER A COCOM PRINCIPLE WHICH PROVIDES FOR APPROVAL WHERE "REFUSAL TO PERMIT THE EXPORT WOULD INVOLVE A RISK OF DAMAGE TO THE ECONOMIC, POLITICAL OR SOCIAL SITUATION OF THE EXPORTING COUNTRY OF A NATURE SO SERIOUS AS TO OVERRIDE SECURITY CONSIDERATIONS INVOLVED."

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B. OUR ANALYSIS NOW SUGGESTS THAT IF THIS PRINCIPLE IS INVOKED, THE TRANSACTION WOULD NOT IN ITSELF REPRESENT AN UNACCEPTABLE CONTRIBUTION OF SERIOUS STRATEGIC SIGNIFICANCE TO PRESENTLY ESTIMATED PRC CAPABILITIES.

C. IF THE UK WERE TO RETURN THE CASE FOR COCOM REVIEW ON THIS BASIS, THE US WOULD VIEW IT FAVORABLY TAKING

INTO ACCOUNT THE VIEWS OF OTHER MEMBERS.

D. SUCH A COURSE WOULD SUPPORT THE CONTINUED USE OF COCOM AS A MEANS OF COORDINATING TRADE CONTROL POLICY AND WOULD BE PREFERABLE TO TAKING DECISIONS ON INDIVIDUAL TRANSACTIONS IN A CONTEXT THAT MIGHT APPEAR TO SUBORDINATE PRINCIPLES OF MUTUAL SECURITY AND ECONOMIC COOPERATION TO THE NARROW INTERESTS OF INDIVIDUAL NATIONAL INDUSTRIES.

5. WE WOULD THEN PROPOSE TO TAKE THE FOLLOWING LINE IN ANSWER TO PRESS INQUIRIES:

A. WE HAVE BEEN INFORMED BY THE BRITISH GOVERNMENT OF THE PROGRESS OF THE NEGOTIATIONS BETWEEN A BRITISH FIRM AND THE CHINESE AUTHORITIES FOR THE SALE TO CHINA OF VARIOUS JET AERO-ENGINES AND THEIR MANUFACTURING TECHNOLOGY TO CHINA. SUCH EXPORTS ARE COVERED BY COCOM CONTROLS ON TRADE WITH THE COMMUNIST COUNTRIES. WE UNDERSTAND THAT OTHER COCOM COUNTRIES HAVE ALSO BEEN INFORMED OF THE PROGRESS OF THESE NEGOTIATIONS. ALTHOUGH SUCH EXPORTS ARE CONTROLLED BY COCOM, COCOM PROCEDURES PROVIDE FOR EXCEPTIONS UNDER CERTAIN CONDITIONS. WE WILL BE EXAMINING THE INFORMATION PROVIDED BY THE BRITISH GOVERNMENT IN THE LIGHT OF THOSE CONDITIONS.

B. IF PRESSED AS TO WHETHER THE U.S. APPROVES OR DISAPPROVES, WE COULD SAY: THE PROCEEDINGS IN COCOM ARE BY AGREEMENT NOT MADE PUBLIC. WE WOULD THEREFORE NOT WISH TO COMMENT ON THE MERITS OF THE CASE.

C. AT SUCH TIME AS COCOM HAS CONSIDERED AND ACCEPTED THE UK POSITION ON THE CASE, WE WOULD SAY: THE CASE
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HAS BEEN REVIEWED IN ACCORDANCE WITH COCOM PROCEDURES AND THE US FINDS THE TRANSACTION ACCEPTABLE.

6. DEFENSE AGREES WITH THE ABOVE APPROACH.

7. CLEARLY, THE BRITISH DECISION MAY OPEN THE WAY FOR OTHER REQUESTS IN COCOM FOR THE SALE OF MILITARY EQUIPMENT TO THE PRC AND ELSEWHERE OR RAISE BROADER QUESTIONS OF IMPLICATIONS FOR COCOM PRINCIPLES. SUCH QUESTIONS COULD BE SCHEDULED FOR APPROPRIATE DISCUSSION BILATERALLY OR IN COCOM AT A LATER TIME. IN VIEW OF THIS, WE PROPOSE UNDERTAKING AN INTER-AGENCY STUDY OF THE BROADER IMPLICATIONS OF WESTERN SALES TO THE PRC IN TERMS BOTH OF OUR OWN SECURITY INTERESTS AND OF THE IMPACT ON COUNTRIES SUCH AS JAPAN AND THE SOVIET UNION, AND OF

COURSE TAIWAN WHERE WE ARE SEVERELY CURTAILING MILITARY SALES.

8. RECOMMENDATIONS:

A. THAT YOU APPROVE OUR PROPOSED RESPONSE TO THE UK AND OTHER COCOM MEMBERS (PARAGRAPHS 4.A, B, C, D.)

APPROVE DISAPPROVE

B. THAT YOU APPROVE OUR RESPONSE TO PRESS QUERIES (PARAGRAPHS 5.A, B, C).

APPROVE DISAPPROVE

C. AND, THAT YOU APPROVE THE PROPOSED INTER-AGENCY STUDY OF THE IMPLICATIONS OF WESTERN SALES TO THE PRC. (PARAGRAPH 7).

APPROVE DISAPPROVE

DRAFTED: EB/ITP/EWT:RBWRIGHT:TLW
12/12/75:X20964

CONCURRENCES: M:EAGLEBURGER

S/P - MR. GATHRIGHT (INFO)

C - MR. KELLY

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EB - MR. ENDERS

EA - MR. GLEYSTEN

PM - MR. MCBRIDE

EUR/NE - MR. SHUMATE

DEFENSE/ISA - DR. MOUNTAIN

COMMERCE/OEA - MR. MEYER (INFO)

S/S:FORTIZ

SISCO

UNQUOTE

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